Brussels, 27/03/2020

Communication from *CO_2 Value Europe*, the *ART Fuels Forum* and *Hydrogen Europe* concerning the development of methodologies for the first call of the European Innovation Fund

No	Subject reference	Comment
1	Degree of innovation	**Issue:** Definition of minimum cut-off "proposed technology/product must not be commercially available" is **not** appropriate **Rationale**: We welcome the flexible definition of the degree of innovation as described in the discussion paper of COWI (p.15). Therefore, we believe that the definition of the minimum cut-off "proposed technology/product must not be commercially available" is not appropriate. Indeed, a technology (e.g. electrolyser) can already be commercially available for a specific sector, a specific service and at specific scales; in this context, transferring a particular technology to a different setting and scaling it up should be considered the innovation. We therefore welcome the proposal of DG CLIMA stated in the workshop to revisit this phrasing. ********** **Issue**: The GHG avoidance calculation for 2050 needs clarification **Rationale:** We welcome the introduction of this calculation as an indicator of alignment to the long-term EU strategy. However, we invite the Commission to further clarify in the guidance the relation of the 2050 calculation to the calculation of the GHG emission avoidance of the 1st IF criterion "GHG emission avoidance" (e.g. calculation methodology, scoring weight, difference in reference projects)
2	Project maturity and due diligence	**Issue:** Regulatory framework as sub-criterion **Rationale:** We agree that almost all sub-criteria proposed merit being in the list. Nevertheless, we consider the existence of the regulatory framework as a given condition that the project proponent cannot directly influence or change, and it is not an element of a project's maturity. We understand that the rationale of the Commission is to select projects that are not highly dependent on policy changes. But many innovative projects are implemented prior to a significant regulatory change. In fact, some of them are major drivers for policy adaptations. **Suggestion**: We believe that the description of the alignment of a project with the policy framework as foreseen under the 2nd sub-criterion of the Degree of Innovation is sufficient to assess its consistency with and dependency on the regulatory context. Therefore, we suggest removing the regulatory framework as a sub-criterion of Project Maturity. ********** **Issue:** Precisely defining the sub-criteria **Rationale:** We invite the Commission to define precisely how the Commission understands some terms and exactly what kind of information it is expecting from the project proponent. Indeed, different

		proponents may have a different understanding of the terms (e.g. what is included in a FEED or in project management), so a clear guidance is necessary so that all projects have the same basis of information. Furthermore, we welcome the differentiation between EoI and full application such that EoI is lighter in the details and is showing awareness and robust forward planning, while the full-stage application provides more detail. ********** **Issue**: Due diligence as a separate sub-criterion **Rationale**: We agree with the majority of the poll respondents that due diligence should be a supporting element for the evaluation of the other sub-criteria. Indeed, having due diligence as a stand-alone sub-criterion would lead to a double evaluation since many elements within it are already themselves sub-criteria. We agree with the idea of having a due diligence supporting the evaluation and that the project proponent has the option of providing a third-party due diligence or of providing the required information as a self-assessment (i.e. 3rd party due diligence not mandatory).
3	Scalability	No particular remarks
4	Project development assistance (PDA)	No particular remarks
5	Knowledge sharing	No particular remarks
6	***Project selection (added to the template)***	**Issue**: Project "baskets" & classification **Rationale**: We would like to invite the Commission for more detailed information on the selection of projects, especially for technologies like CCU and Power-to-X that are horizontal and applicable to many sectors: - Will CCU projects compete with other CCU projects no matter the sector in which they are applied (e.g. a mineralisation product for the construction sector *vs* a formic acid project for the chemical industry *vs* an e-methane project for energy storage *vs* an e-jet fuel project for the aviation sector)? - Or will a CCU project, e.g. producing e-fuel for aviation utilizing CO2 emissions from a cement industry, compete with non-CCU projects in the cement sector? **Suggestion:** We invite the Commission to develop a classification system that ensures that at least one project is funded in each of the five focus areas of the IF, i.e.: • *Innovative low-carbon technologies and processes in energy intensive industries, including products substituting carbon intensive ones* • *Carbon capture and utilisation (CCU)* • *Construction and operation of carbon capture and storage (CCS)* • *Innovative renewable energy generation* • *Energy storage*

Furthermore, CVE would like to provide feedback to the Commission to reiterate our concerns on two major issues for the development of innovative CCU projects.

A. Grid electricity GHG intensity

After intense discussion with all stakeholders, the Commission now suggests using the projected average EU grid GHG intensity for 2030. We invite the Commission to inform as soon as possible of the exact value considered (and how it is derived), but we would still like to reiterate that **the only value that reflects real GHG emission reductions is the value of the country where electricity is taken from the grid (also 2030 projection)**. As we pointed out in our previous communication to DG CLIMA on 21 February, no electrolysis-based low-carbon project, with or without CCU will be able to meet the REDII requirement of 70% emission reduction of RFBNO, if the GHG grid intensity exceeds 14 or 20 gCO_2/MJ_{el}, respectively.
An EU grid average will penalise (instead of rewarding!) countries with a low grid electricity mix by disabling a significant number of innovative projects. At the same time, it provides no incentives for project developers to place projects for renewable energy generation in countries with a higher grid GHG intensity. Under all circumstances it must be avoided that IF project proponents are penalised for placing their projects in countries with low GHG intensities with the goal to realize the maximum possible GHG emission avoidance achievable through grid connection. The Innovation Fund should reward innovative projects with large emission reduction potential instead of seeking a geographical balance through the use of an average grid GHG intensity.
Besides, *Article 27 (3)* of REDII (3rd paragraph, 4th sub-paragraph) asks that the country of production shall be used when determining the share of renewable energy; therefore, it would only be consistent that the country of production shall be also used when determining the GHG grid intensity.

B. Proving additionality of renewable electricity

We invite the Commission to rely on existing market-based instruments, i.e. Power Purchase Agreements (PPAs) combined with Guarantees of Origin (GO) for electricity to reflect market reality. In fact, increasing demand for RES-based PPAs will lead to increased deployment of RES capacity, thus meeting the requirement of *Recital 90* of REDII that projects need to contribute to additional renewable energy capacity in the EU.
In addition to contributing to further RES investments, CCU projects can further accelerate the energy transition by integrating more RES into different sectors that are difficult to electrify. However, if it will be a requirement, that a project proponent needs to make a parallel investment in RES power generation to meet the electricity demand, CCU projects will be financially infeasible and thus unable to make a significant additional contribution to the energy transition.
We invite the Commission to inform stakeholders as soon as possible about the developed methodology for PPAs to prove that the additional renewable energy used is not already counted towards the national targets and give all stakeholders the opportunity to provide feedback.

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We express the concerns of the CCU community that if the aforementioned methodologies developed for the IF are not supportive of the full potential of CCU projects, this will provide a precedent and will pre-empt the elaboration of the delegated acts of REDII (Articles 27 and 28) that are supposed to provide methodologies that deal precisely with some of the points raised.

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